Living Income and Living Wage for Resilient Supply Chains

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4C Online Seminar “Enhancing Human Rights Due Diligence in Coffee Supply Chains”, 08.11.2023
Meo Carbon Solutions is an independent consulting company with long working history in sustainability.
... We met in a time with great challenges to sustainable trade, with rising inequalities within global supply chains. We also met at a time of opportunities. Living wages for workers as well as living incomes for producers are essential to eradicate poverty and thereby child- and forced labour. Making our global supply chains sustainable is one crucial part in this goal.

Joint Declaration regarding Living Wage and Living Income by the Netherlands, Germany, Belgium and Luxembourg from 2023
Understanding the concept of Living Income and Living Wage

Living Income
A farming household in a particular place earns enough in a year from all income sources to afford a decent standard of living
Living income applies to a household(1)

Living Wage
A worker earns enough in a standard work week to enable his/her family to afford a decent standard of living
Living wage applies to an individual worker(2)

Both are derived from the idea of achieving a decent standard of living

Sources:
Understanding the concept of Living Income and Living Wage (2)

Source: The Living Income Community of Practice
Farmers and farm workers not sustaining a decent living is a threat to global value chains and a human rights violation

Article 23 of the Universal Declaration of Human Rights:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity”(1)

Article 11 of the International Covenant on Economic, Social and Cultural Rights:

“Every human has the Right to an adequate standard of living providing access to adequate housing, health care, food, clothing and social services”(2)

Sources:
Coffee farmers lack decent income opportunities

- Coffee is cultivated on approx. 12.5 million farms worldwide, mainly by farmers on less than 5 ha.
- Producers often have limited economic alternatives and rely on export earnings.
- Farmers face risks such as low and volatile prices, increasing input costs, climate change effects.
- Coffee is a labour-intensive crop with many gender-specific tasks. Currently most farmworkers receive wages not meeting fundamental needs.

Pressure grows for companies to include living wage and living income in their human rights and environmental due diligence efforts (1)

EU: 70 NGOs and producer organisations call on policy makers to include living income and fair purchasing practices in CSDDD

Belgium and Luxembourg join the Netherlands and Germany in signing the Joint Declaration on Living Wage and Living Income

Press release 27 June 2023 | Our responsibility as consuming countries includes ensuring that everyone in the entire supply chain of a product – for example, a bar of chocolate – has the right to decent work, a living wage and a living income. Only when workers and smallholder farmers in our global supply chains earn a living wage or income can we effectively address major challenges such as poverty, hunger, deforestation, climate change and child labour.

Pressure grows for companies to include living wage and living income in their human rights and environmental due diligence efforts (2)

Many people in developing and emerging countries are still not paid a fair wage for their work or a fair income for the goods that they produce. The REWE Group sources many products from these countries and wants to improve the incomes of local people.

Voluntary Commitment of German Retail Working Group for Living Income and Living Wages

# Strategies to close living income and wage gaps

<table>
<thead>
<tr>
<th>Agricultural Services</th>
<th>Provision of Basic Services</th>
<th>Provision of Financial Services</th>
<th>Gender Equality</th>
<th>Decent market access</th>
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</thead>
<tbody>
<tr>
<td>• Smallholders' know-how</td>
<td>• Availability and accessibility of quality education, health and water</td>
<td>• Access to credit, loans, savings and insurance</td>
<td>• Women's participation in farming</td>
<td>• Payment of fair prices</td>
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<td>• Farm inputs (e.g. seeds, fertiliser, tools)</td>
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<td>• Equal economic empowerment</td>
<td>• Favourable terms of trade</td>
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<td>• Post-harvest machinery</td>
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The Food Security Standard

- Developed to help the **private sector** to respond to food insecurity and human rights due diligence obligations.
- Aims to foster **zero hunger at the production level** of global agricultural value chains.
- Funded by the German Ministry of Food and Agriculture.
The FSS covers various aspects beyond food security relevant for living income and living wage

How to…
- Identify risks
- Develop action plans
- Install policies
- Develop grievance mechanisms
- Engage farmers and workers

Cross-cutting Risks in the Supply Chain

- Health & safety
- Workers’ rights
- Food security
- Environmental protection, GAP
- Fair pricing
5. Safeguard long-term farm profitability and fair business conducts

5.2
Fair, legal and transparent arrangements shall be implemented with all contract/smallholder farmers and service providers.

5.2.2
The prices paid to contract farmers/smallholders must be fair. In the case of smallholders, the prices shall be based on living income estimates, when they are available for the region. If no living income estimates are available, prices shall be set following the FAO Guiding Principles for Responsible Contract Farming.
Enhancing Social Sustainability with the 4C-FSS Add-On

- Quality
- G.A.P.
- Labor rights
- Human rights
- Environmental protection
- Deforestation free

Food security and cross-cutting rights like living income and living wages for farmers, workers and surrounding communities
Key messages

1. Living income and living wage are essential to achieve a decent living for people in coffee production.

2. Strengthening living income and living wage contributes to resilient supply chains.

3. The concept gains increasing attention through policies, NGOs, consumer and private company initiatives.

4. The 4C-FSS Add-On can be used as a tool for companies to enhance social sustainability including realizing living income and living wages within supply chains.

5. In addition, the 4C-FSS Add-On can be used to support corporate due diligence obligations and to show human rights risks are being addressed.
Many thanks for your attention!